



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: April 28, 2004 REPORT NO. RA-04-14

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of May 4, 2004

SUBJECT: Exclusive Negotiation Agreement (ENA) with San Ysidro Business Pilot Village, L.P. – Mixed-Use Project.

REFERENCE: Ordinance No. O-18295, Adopted April 16, 1996.
Resolution No. R-298911, Adopted February 19, 2004

SUMMARY

Issue – Should the Redevelopment Agency approve Resolution approving an Exclusive Negotiation Agreement (ENA) with San Ysidro Business Pilot Village, L.P. to develop the San Ysidro Boulevard Mixed-Use Project in the San Ysidro Redevelopment Project Area?

Executive Director's Recommendation – Approve Resolution approving an Exclusive Negotiation Agreement (ENA) with San Ysidro Business Pilot Village, L.P. to develop the San Ysidro Boulevard Mixed-Use Project in the San Ysidro Redevelopment Project Area.

Fiscal Impact – The Fiscal impact of the proposed project will be detailed in a separate financial report as required under Section 33433 of the California Community Redevelopment Law, and presented to the Agency concurrent with the consideration of a Disposition and Development Agreement (DDA).

Environmental – This activity is exempt from CEQA Section 15061 (c) (3) of the State CEQA Guidelines.

Code Enforcement Impact - None with this action.

Housing Affordability Impact – The project proposal under this ENA would develop approximately 100 to 200 affordable housing units.

BACKGROUND

The City Council recently adopted a resolution designating San Ysidro's *Mi Pueblo* as one of five Pilot Villages in the City of San Diego. The centerpiece project in the *Mi Pueblo* Pilot

Village Proposal is the construction of a large-scale mixed-use development in the older “Core Business District.” Consequently, Redevelopment Agency staff has met several times with the proposed developer, San Ysidro Business Pilot Village, L.P. (the Partnership), regarding the proposed San Ysidro Boulevard Mixed-Use Project in the San Ysidro Redevelopment Project Area (the Project). The Project proposes to bring a large number of new residential units and commercial/retail space to a San Ysidro area in need of neighborhood revitalization. The Partnership has formally requested that the Agency enter into an Exclusive Negotiation Agreement (ENA) for purposes of negotiating and pursuing a future Disposition and Development Agreement (DDA).

DISCUSSION

This action recommends the approval of an ENA with the Partnership for the purpose of initiating the Redevelopment Agency’s direct involvement with the Project, as described in Attachment 1.

The Project is to be developed on a blighted 13-acre site located in the West San Ysidro Boulevard commercial corridor between Cottonwood Road and the 805 freeway. The proposed project site (the Site) is currently occupied by several miscellaneous retail establishments, a smog service station, small office buildings, apartment buildings, and a mobile home park with approximately 65 units. The Partnership is proposing to demolish most of the existing buildings and develop a mixed-use project with up to 800 rental and for-sale condominiums and apartments (400/400), 137,000 square feet of commercial, and parking structures/subterranean garages. Open space and recreational facilities will also be provided for on-site residents. In concept, the goal is to have up to 200 of all housing units available at affordable levels. The estimated total project value is approximately \$155 million.

The Partnership is proposing a “community initiated” form of development. The Partnership’s concept is to have the existing property owners – 31 in all – join into the Partnership as Limited Partners for the purpose of redeveloping the proposed site. The General Partners, San Diego BID Council and San Ysidro BID, will act as managers and facilitators of the development process on behalf of the property owners. The goal of the project is to revitalize a core yet blighted area in San Ysidro, and create wealth for existing property owners by way of profit/revenue sharing. The General Partners have asked the Limited Partners to pledge their support at this point to continue the planning efforts. In the future, the Limited Partners will be asked to pledge their equity interest in the Site properties to assist in leveraging development financing in the financial market. The General Partners are paying for predevelopment and soft costs, and they have retained the services of several consultants including Urban Innovations, London Group, and Estrada Land Planning.

The responsibilities of each party are outlined in the ENA and are summarized below:

Obligations of the Agency

- Work with the Developer to evaluate the Project cost pro forma for the purpose of determining the Project’s financial feasibility.
- Work with the Developer to establish a reasonable time schedule for the completion of all the necessary approvals and permits to implement the project.

- Respond to all submittals required by the agreement in a timely manner.
- Notify any and all other proposals during the Exclusive Negotiating Period, that the Agency and its staff, consultants and/or agents shall not negotiate, discuss, or otherwise communicate with any person or entity, other than the Developer regarding a Owner Participation Agreement/Disposition and Development Agreement for the development of the Project.
- Negotiate in good faith to enter into a DDA with San Ysidro Business Pilot Village, L.P. to implement the Project.
- Seek funding alternatives, as determined by a pro forma gap analysis, to support the finance plan for the proposed project.

Obligations of the Developer

- To provide formal project proposal and pro forma for Agency analysis of financial feasibility.
- To initiate various feasibility studies including environmental, market analysis, and displacement/relocation.
- To provide proof of ownership or site control of site required for the development plan prior to Agency action to approve the DDA.
- To provide evidence of construction financing prior to Agency action to approve the DDA.

Generally speaking, the ENA will give the parties a 180-day window to conduct and review various feasibility studies and analyses that will determine the Project's viability and any required Agency assistance. Agency staff hopes to return to the Agency in the future with a recommendation to enter into a DDA.

ALTERNATIVES

Do not authorize the Resolution Approving the Exclusive Negotiation Agreement with San Ysidro Business Pilot Village, L.P. This alternative would prevent the creation of a Disposition and Development Agreement, and delay the availability of new market-rate and affordable housing units and commercial space in the San Ysidro Redevelopment Project Area.

Respectfully submitted,

Hank Cunningham
Assistant Executive Director
Redevelopment Agency

HC/rc

ATTACHMENT(S): 1. Exclusive Negotiation Agreement (ENA)
2. Project Map and Conceptual Site Plan

